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Contacts:

HFR

Kenneth Heinz
Chicago/312.658.0955

info@hfr.com

[@HFRInc](https://twitter.com/HFRInc)

[@KennethJHeinz](https://twitter.com/KennethJHeinz)

MacMillan Communications

Chris Sullivan
New York/212.473.4442

chris@macmillancom.com

Hydra Strategy

Henrietta Hirst
London/+44 (0) 7880 742 375

Henrietta.hirst@hydrastrategy.co.uk

EMERGING MARKETS HEDGE FUNDS SURGE AS GLOBAL ECONOMY REBOUNDS

Cryptocurrency funds spike in 1Q on broadening exposures across Asia, EM; HFRI Emerging Markets China Index jumps to lead industry regions

CHICAGO, (June 4, 2021) – Emerging Markets (EM) hedge funds, led by funds investing in China, India and the Middle East extended their 2020 surge into 2021 as EM hedge fund capital reached a new record, with performance driven by gains in EM regional equity markets and surging cryptocurrencies.

The HFRI Emerging Markets (Total) Index gained +5.9 percent YTD through April 2021, led by the HFRI Emerging Markets: India Index, which surged +11.5 percent and the HFRI Emerging Markets: MENA Index which jumped +8.0 percent, as reported today with the releases of the *HFR Asian Hedge Fund Industry Report* and the *HFR Emerging Markets Hedge Fund Industry Report* from HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Total Emerging Markets hedge fund assets increased to a record of \$264.8 billion to end 1Q21 (*Chinese Renminbi: 1.70 trillion, Brazilian Real: 1.34 trillion, Indian Rupee: 19.34 trillion, Russian Ruble: 19.40 trillion, Saudi Real: 993 billion*), an increase of over \$8.0 billion from the prior quarter.

While EM hedge fund performance was led by India and MENA, other EM regions posted strong performance as well, accelerating the recovery from large 1Q20 declines. The HFRI EM: China Index gained +7.3 percent YTD for 2021 through April, topping the performance of the broad Chinese equity indices. Hedge funds across EM regions, including Korea, Russia, China and the Middle East (as well as Japan), have become increasingly active in cryptocurrency trading, and the HFR Cryptocurrency Index extended its 2020 rise to rocket +229 percent in 2021 YTD through April as many cryptocurrencies reached record levels.

The HFRI EM: Russia/Eastern Europe Index gained +7.0 percent YTD through April, matching the performance of Russian equities over the first four months of the year. The HFRI EM: Latin America Index posted a narrow loss of -0.9 percent YTD through April, the lone EM regional index to decline.

The investable HFRI 500 Fund Weighted Composite Index has gained +7.4 percent YTD 2021 through April, the strongest gain to begin a year since index inception.

Total capital invested in Asian hedge funds increased to a new record, ending 1Q21 with \$132.6 billion AUM (*Chinese RMB 0.85 trillion, Japanese Yen 14.62 trillion, Korean Won 148.07 trillion, Indian Rupee 9.69 trillion*), while the HFRI Japan Index gained +3.7 percent in the first quarter.

“As the global economy begins to emerge from the coronavirus pandemic quarantine, strong, powerful hedge fund industry performance and growth trends have dominated early 2021 with Emerging Markets and Asian hedge funds driving these trends with exposures across commodities, regional equities, fixed income, currencies and cryptocurrencies,” stated Kenneth J Heinz, President of HFR. “While total hedge fund capital in Emerging Markets and Asian regions respectively and concurrently reached new record levels, expectations for acceleration in growth are continuing to increase as institutions around the world position for the opportunity-rich, post-pandemic financial market environment, with opportunities not only in Event Driven and Macro strategies, but also in new exposures and risks, including cryptocurrencies, commodity-linked inflation/interest rate sensitivity, SPACS/ M&A and supply chain/semiconductor shortage trades. Specialized Asian and EM hedge funds which have positioned for and demonstrated performance generation capabilities in these areas are likely to lead industry growth and expansion in coming quarters.”

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